Opening Statement

Senator Susan M. Collins

Special Committee on Aging

"Indebted for Life: Older Americans and Student Loan Debt"

September 10, 2014

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Mr. Chairman – An issue we both care deeply about is whether older Americans will have the financial resources they need to be secure in retirement. After four decades in the workforce, seniors should be confident they will have the money they need to pay their bills and enjoy their retirement, without fearing they will be overtaken by debt and fall into poverty.

Yet, as the Committee has seen in our work together this session, far too many American seniors struggle to get by with inadequate savings and limited income. Add to this the troubling trend of increasing debt held by older Americans: a recent study by the *Urban Institute* found that the share of Americans 65 or older who are in debt grew from 30 percent in 1998 to 43 percent in 2010. That study also found that the median debt held by these seniors increased 56 percent, from about $13,600 to $21,200.

About half of this debt is attributable to mortgages, and much of the rest traces to various forms of consumer debt, such as auto loans and credit card balances. But another source is student loan debt, the focus of today's hearing.

Still, student loan debt held by older Americans is just a tiny fraction of the $1 trillion federal student loan debt outstanding. According to the GAO, federal student loan debt for Americans ages 65 and over totals about $18 billion and three percent of households headed by seniors have student loan debt.

One might assume that this debt reflects loans taken out by parents for their children, or by grandparents for their grandchildren. But this doesn't appear to be the case. The GAO has found that 82 percent of the balances remaining on student loans taken out by seniors are attributable to loans used to finance that senior's own education, while only 18 percent are attributable to loans used to finance the education of a child or grandchild. The default rate for these loans – 31 percent – is more than twice that of the default rate for loans taken out by borrowers between the ages of 25 and 49, a very troubling statistic.

Seniors whose loans are in default can have their Social Security benefits garnished and reduced to as little as $750 a month, a floor set by Congress in 1998. This floor was not indexed for inflation, and is now far below the poverty line. I will be introducing legislation shortly to adjust this floor for inflation over the past 15 years and index it going forward, to make sure garnishment does not force seniors into poverty.

We will explore today when and why these seniors took on such a heavy debt load, and to what extent the burden they carry is due to the soaring cost of a college education. Twenty years ago, the cost of attending a four-year public university was just half of what it is today, even after adjusting for inflation. Similarly, the cost of attending private four-year institutions and public two-year colleges was one-third lower than it is now.

Given these dramatic cost increases, it is reasonable to ask what steps our nation's colleges and universities are taking to address the problem of student loan debt. Are these institutions doing all that they can to control their costs, to ensure they remain affordable not only for older Americans, but for all who pursue a higher education? Are they fulfilling their obligation to make sure their students understand the burden that heavy debt will place on them, especially older students who may not remain in the workforce long enough to pay off their loans before they retire?

Mr. Chairman, I look forward to hearing from our witnesses.